

**DeWitt Public Schools
DeWitt, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

DeWitt Public Schools
DeWitt, Michigan
BOARD OF EDUCATION
June 30, 2008

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DeWitt Public Schools

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
DeWitt Public Schools
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of DeWitt Public Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of DeWitt Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

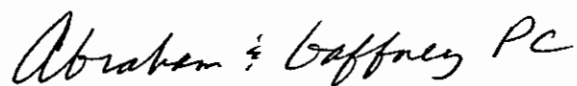
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of DeWitt Public Schools as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2008 on our consideration of DeWitt Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DeWitt Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 4, 2008



**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008**

DeWitt Public Schools is a K-12 public school district located in Clinton County, Michigan. This section of the annual financial statements, titled Management's Discussion and Analysis, represents management's review of the District's financial performance during the fiscal year ended June 30, 2008. The Management's Discussion and Analysis is intended to be read in conjunction with the District's financial statements.

Generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: Government-wide financial statements and Fund level financial statements.

District-wide Financial Statements:

District-wide financial statements provide information about the activities of the entire school district. They present an overall view of the District's finances, reporting the district's assets and liabilities on a both short and long term basis. District-wide financial statements are reported on a full accrual basis.

Fund-level Financial Statements:

Fund-level financial statements are reported on a more detail level than government-wide statements. Fund level statements provide information on the district's most significant funds. The General Fund is the District's only major fund. Activity for all other funds are combined and presented in a single column labeled Other Nonmajor Governmental Funds. Fund financial statements are reported on a modified accrual basis, reporting only those assets that are "measurable" and "currently available". Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

Statement of Fiduciary Net Assets:

The District is also required to present information about assets it holds as a fiduciary. The Statement of Fiduciary Net Assets presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents. These activities are excluded from the district's other financial statements because as a fiduciary, the District is unable to use these assets for its operations. The school district's responsibility for assets reported in the Statement of Fiduciary Net Assets is to ensure the funds are used for their intended purposes.

Summary of Net Assets:

The following table summarizes the District's net assets for the fiscal year ended June 30, 2008 and 2007.

Net Assets Summary

	Governmental Activities	
	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Assets		
Current and other assets	\$ 7,417,101	\$ 7,483,382
Capital assets, net	<u>42,427,223</u>	<u>41,651,889</u>
Total assets	<u>\$ 49,844,324</u>	<u>\$ 49,135,271</u>



**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008**

Net Assets Summary - continued

	Governmental Activities	
	<u>June 30, 2007</u>	<u>June 30, 2008</u>
Liabilities		
Current liabilities	\$ 7,747,511	\$ 8,609,308
Noncurrent liabilities	<u>54,082,886</u>	<u>50,758,102</u>
Total liabilities	61,830,397	59,367,410
Net Assets		
Invested in capital assets, net of related debt	(14,625,183)	(12,278,000)
Unrestricted	<u>2,639,110</u>	<u>2,045,861</u>
Total net assets	<u>(11,986,073)</u>	<u>(10,232,139)</u>
Total liabilities and net assets	<u>\$ 49,844,324</u>	<u>\$ 49,135,271</u>

Analysis of Financial Position:

As detailed above, the District shows a negative total net asset value of (\$10,232,139) for the fiscal year ended June 30, 2008. Negative total net asset valuation is not unexpected for a district with DeWitt's characteristics, and can be explained by several factors:

- Over the past 10 years, significant enrollment growth has pressured facilities to their capacity limits.
- Major construction projects became necessary to expand facilities to meet the needs of the increased number of students. A new high school and major modifications to five other facilities began in 1997 and continued through the 2002-2003 year.
- Significant debt (\$39.5 million) was incurred by the district in 1996 to pay for the facility modification projects.

Negative asset values are expected to become positive valuations assuming property tax valuations in the District continue to maintain their historical growth rates, and the District continues to repay existing debt obligations.

During fiscal year ended June 30, 2008, the District's net assets increased by \$1,753,934. Several factors which helped cause the increase are discussed in the following sections.

A. Governmental Fund Operating Results

The District's expenditures from governmental fund operations exceeded revenues by \$716,694 for the fiscal year ended June 30, 2008. Further discussion of the District's operating results is available in the section entitled "Results of 2007-2008 Operations" located on the following page.



B. Depreciation Expense in Excess of Capital Outlay

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2007-08, district assets depreciated faster than the District's investment in new or replacement assets, causing a reduction in net district assets. The District's overall capital net assets were reduced by \$775,334, calculated as the difference between new capital investments (\$958,658) and depreciation allocated against the useful lives of district assets (\$1,733,992).

C. Long-Term Debt Activities

The District reduced its long-term debt obligations during 2007-08 by \$3,075,944. Making principal payments on several outstanding bond issues, proceeds received from installment loans, and prior refunding of several debt issues helped reduce the District's long-term debt obligations. Each refunding issue reduced the District's long-term principal and related interest obligations by replacing older, higher interest rate debt issues, with new debt issued at lower interest rates.

Additional debt in the form of principal (\$258,000) was incurred by the District during the fiscal year through the State of Michigan School Bond Loan Fund, less than in prior years. The District also entered into an installment purchase agreement for \$398,700 during the year. In aggregate, net District long-term debt liabilities declined by \$3,075,944 as a result of all long-term debt transactions occurring during 2007-08. Long-term debt activities are summarized in Note E of the financial statements.

Results of Operations:

For the fiscal years ended June 30, 2008 and 2007, the district-wide results of operations were:

	<u>2007</u>	<u>2008</u>
Revenues:		
Program Revenues		
Charges for service	\$ 1,561,873	\$ 1,555,366
Operating Grants	368,806	522,662
Capital Grants and Contributions	29,295	51,766
General Revenues		
Property Taxes	6,487,545	6,911,204
State School Aid - unrestricted	20,265,942	20,290,993
Other	<u>917,333</u>	<u>806,753</u>
Total revenues	29,630,794	30,138,744



**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008**

	<u>2007</u>	<u>2008</u>
Functions/Program Expenses:		
Instruction	\$ 14,826,999	\$ 14,745,833
Supporting services	7,224,966	7,580,272
Food service	695,008	706,064
Athletics	578,593	559,841
Community services	643,645	677,847
Interest on long-term debt	2,757,746	2,380,961
Unallocated depreciation	<u>1,665,403</u>	<u>1,733,992</u>
Total Expenses	<u>28,392,360</u>	<u>28,384,810</u>
Increase in Net Assets	<u>\$ 1,238,434</u>	<u>\$ 1,753,934</u>

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

State of Michigan unrestricted aid (i.e. foundation grant) is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student enrollment is determined by a weighted average of 75 percent of the current fiscal year's fall enrollment and 25 percent of the prior fiscal year's winter enrollment.
- c. The District's tax levy placed on non-homestead property.

Per Student Foundation Allowance:

The State of Michigan annually establishes a foundation allowance for each enrolled student. DeWitt Public School District's foundation allowance for the 2007-2008 fiscal year increased by \$119 per pupil to \$7,204. The District's foundation allowance was not prorated, or reduced, during 2007-2008.

Student Enrollment:

Enrollment in the District during the fall count (September, 2007) amounted to 2,994 students. Over the most recent five year period, District enrollment increased each year, averaging 51 new students each year. Fall student enrollments for the past five years are summarized in the table below:

	<u>Student Enrollment</u>	<u>Increase from Prior Year</u>
2007-2008	2,994	+ 8
2006-2007	2,986	+ 20
2005-2006	2,966	+130
2004-2005	2,836	+ 56
2002-2003	2,780	+ 40

**2. Property Taxes Levied from General Operations (General Fund Non-Homestead Taxes)**

The District is authorized to levy 18 mills of property taxes on Non-Homestead properties for operations (General Fund). Taxable levy is based on the taxable valuation of the properties. The annual property value taxation increase is capped at the prior year's Consumer Price Index (CPI) or five percent, whichever is less.

Whenever the District's aggregate Non-Homestead property tax valuation increases at a rate that exceeds the CPI, the District's authorized non-homestead property tax millage rate must be reduced. The 2007-2008 non-homestead millage rate is 17.9010.

<u>Fiscal Year</u>	<u>Non-Homestead Millage Rate</u>
2007-2008	17.9010
2006-2007	18.0000
2005-2006	18.0000
2004-2005	17.3776
2003-2004	16.4538

Non-homestead property tax revenue for the 2007-2008 fiscal year amounted to \$1,358,263.

3. Property Taxes Levied for Repayment of Debt

The District's debt fund tax levy is used to pay the principal and interest on long-term bond obligations. The bond obligations exist as a result of capital project elections which were approved by the electorate. Debt fund taxes are levied on the taxable valuation of all properties, homestead and non-homestead. The debt millage fund tax levy for the 2007-2008 year was 11.12 mills. Total 2007-2008 revenue generated by debt fund taxes amounted to \$5,549,465.

4. Food Service and Community Service Activities

The District operates a Food Service program, providing lunch to students during the school day, and catering services to various district events. Revenues from food service operations for 2007-2008 amounted to \$788,591, a decrease of \$24,841 over the prior year. Food service expenditures amounted to \$827,449 for the 2007-2008 year, which included financial support to the General Fund amounting to \$85,000. For the 2007-2008 year, Food Services reported expenditures in excess of revenues amounting to \$38,858.

The District also operates a Community Service program, which provides educational, recreation, child care, preschool, and facility rental services to community members. Revenues from Community Service operations for 2007-2008 amounted to \$616,761, a decrease of \$28,673 from the prior year.

Community Service expenditures amounted to \$677,847 for the 2007-2008 year. For the 2007-2008 year, Community Services reported expenditures in excess of revenues amounting to \$61,086.



**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008**

5. General Fund Operations

The General Fund functions as the District's primary operating fund. All revenues and expenditures required to operate direct and indirect instructional programs are recorded in the General Fund. Expenditures for instruction, supporting services for instruction, administration, maintenance, transportation are all recorded by the General Fund.

For the 2007-2008 fiscal year, expenditures for the District's General Fund operations exceeded revenues by \$368,033, a decrease of \$450,087 over prior year. The following table provides a five year history of General Fund revenues, expenditures, operating results, and fund balance reserves.

**GENERAL FUND REVENUES, EXPENDITURES, & OPERATING RESULTS
Fiscal Years 2003-2004 through 2007-2008**

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Excess/ (Deficit)</u>	<u>Fund Balance Reserves (Unreserved)</u>
2007-2008	\$ 23,376,862	\$ 23,744,895	\$(368,033)	\$ 3,140,149
2006-2007	22,910,928	22,828,874	82,054	3,326,682
2005-2006	22,391,717	21,988,529	403,188	3,401,402
2004-2005	20,324,360	20,671,493	(347,133)	3,106,055
2003-2004	19,547,782	19,750,031	(202,249)	3,453,188
2001-2002	19,501,866	19,513,683	(11,817)	3,655,437

Analysis of Original Budget, Final Budget, and Actual Results:

The Uniform Budget Act of the State of Michigan requires the Board of Education approve an original budget for the upcoming fiscal year prior to the start of the fiscal year on July 1.

DeWitt Public Schools amended its budget twice during the year. For the 2007-2008 fiscal year, the budget was amended in November 2007 and June 2008, and served as the final budget for the fiscal year.

Changes from Original Budget, Final Budget, and Actual:

	<u>Original Budget (Adopted June 2007)</u>	<u>Final Budget (Adopted June 2008)</u>	<u>Actual Year Ended June 30, 2008</u>
Total Revenues	\$ 23,219,885	\$ 23,344,036	\$ 23,376,862
Total Expenditures	\$ 23,643,115	\$ 23,338,051	\$ 23,744,895



**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008**

Revenues:

The District's final budget revenues were \$124,151 (0.5%) more than the original budget projections. September 2007 enrollments were higher than the District anticipated when the original budget was adopted in June, 2007. Actual 2007-2008 revenues were \$32,826 (0.1%) higher than the final budget projections.

Expenditures:

The District's final budget expenditures were \$305,064 (1.3%) less than original budget projections. Actual expenditures were \$406,844 (1.7%) higher than the final budget projections.

Contacting the District's Financial Management:

Management discussion and analysis documents are prepared to provide the District's constituents with a general overview of the District's financial position. Questions or requests for additional information can be directed to the Business Department of DeWitt Public Schools located at 2957 West Herbison Road, DeWitt, Michigan.

BASIC FINANCIAL STATEMENTS

DeWitt Public Schools

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,414,474
Receivables	74,907
Inventories	68,664
Due from State	3,742,003
Prepays	28,123
	<hr/>
Total current assets	7,328,171
Noncurrent assets	
Unamortized bond issuance costs	155,211
Capital assets not being depreciated	2,128,568
Capital assets, net of accumulated depreciation	39,523,321
	<hr/>
Total noncurrent assets	41,807,100
	<hr/>
TOTAL ASSETS	49,135,271
LIABILITIES	
Current liabilities	
Accounts payable	193,266
Accrued payroll	1,281,065
Other accrued liabilities	465,169
Unearned revenue	20,941
Short-term debt payable	1,700,000
Current portion of accrued interest payable	436,628
Current portion of compensated absences and termination benefits	92,662
Current portion of long-term debt	4,419,577
	<hr/>
Total current liabilities	8,609,308
Noncurrent liabilities	
Noncurrent portion of accrued interest payable	26,975
Noncurrent portion of compensated absences and termination benefits	1,065,604
Noncurrent portion of long-term debt	49,665,523
	<hr/>
Total noncurrent liabilities	50,758,102
	<hr/>
TOTAL LIABILITIES	59,367,410
NET ASSETS	
Invested in capital assets, net of related debt	(12,278,000)
Unrestricted	2,045,861
	<hr/>
TOTAL NET ASSETS	\$ (10,232,139)
	<hr/>

See accompanying notes to financial statements.

DeWitt Public Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Functions/Programs					
Instruction	\$ 14,745,833	\$ 17,508	\$ 346,979	\$ 51,766	\$ (14,329,580)
Supporting services	7,580,272	83,012	-	-	(7,497,260)
Food services	706,064	603,820	175,683	-	73,439
Athletics	559,841	237,753	-	-	(322,088)
Community services	677,847	613,273	-	-	(64,574)
Interest on long-term debt	2,380,961	-	-	-	(2,380,961)
Unallocated depreciation	1,733,992	-	-	-	(1,733,992)
TOTAL	\$ 28,384,810	\$ 1,555,366	\$ 522,662	\$ 51,766	(26,255,016)
General revenues					
Property taxes					6,911,204
State school aid - unrestricted					20,290,993
Special Education county allocation					158,411
Vocational Education county allocation					478,004
Investment earnings					138,481
Miscellaneous					31,857
TOTAL GENERAL REVENUES					28,008,950
CHANGE IN NET ASSETS					1,753,934
Net assets, beginning of the year					(11,986,073)
Net assets, end of the year					\$ (10,232,139)

See accompanying notes to financial statements.

DeWitt Public Schools

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,859,273	\$ 555,201	\$ 3,414,474
Receivables	74,907	-	74,907
Inventories	54,992	13,672	68,664
Due from State	3,736,573	5,430	3,742,003
Due from other funds	134,662	70,113	204,775
Prepays	28,123	-	28,123
TOTAL ASSETS	\$ 6,888,530	\$ 644,416	\$ 7,532,946
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 162,365	\$ 30,901	\$ 193,266
Accrued payroll	1,281,065	-	1,281,065
Other accrued liabilities	465,169	-	465,169
Due to other funds	-	204,775	204,775
Deferred revenue	-	20,941	20,941
Interest payable	56,667	-	56,667
Short-term debt payable	1,700,000	-	1,700,000
TOTAL LIABILITIES	3,665,266	256,617	3,921,883
FUND BALANCES			
Reserved for			
Inventories and prepaids	83,115	13,672	96,787
Debt service	-	220,040	220,040
Unreserved			
Designated for			
Capital improvements	80,000	-	80,000
Compensated absences	92,662	-	92,662
Undesignated, reported in			
General fund	2,967,487	-	2,967,487
Special revenue funds	-	150,922	150,922
Capital projects funds	-	3,165	3,165
TOTAL FUND BALANCES	3,223,264	387,799	3,611,063
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,888,530	\$ 644,416	\$ 7,532,946

See accompanying notes to financial statements.

DeWitt Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds **\$ 3,611,063**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 63,865,064	
Accumulated depreciation is	<u>(22,213,175)</u>	
		41,651,889

Governmental funds report the effect of bond issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets.

Unamortized bond issuance costs	155,211
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds and loans payable	54,085,100	
Accrued interest payable on long-term debt	406,936	
Compensated absences and termination benefits	<u>1,158,266</u>	
		<u>(55,650,302)</u>

Net assets of governmental activities	<u>\$ (10,232,139)</u>
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See accompanying notes to financial statements.

DeWitt Public Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local sources	\$ 1,546,627	\$ 7,069,899	\$ 8,616,526
State sources	20,520,405	30,380	20,550,785
Federal sources	155,096	145,303	300,399
TOTAL REVENUES	22,222,128	7,245,582	29,467,710
EXPENDITURES			
Current			
Instruction	15,022,674	-	15,022,674
Supporting services	7,664,848	-	7,664,848
Food service activities	-	706,064	706,064
Athletic activities	-	559,841	559,841
Community services activities	-	677,847	677,847
Debt service			
Principal	209,602	3,949,000	4,158,602
Interest and fiscal charges	102,655	1,881,442	1,984,097
Capital outlay	-	705,879	705,879
TOTAL EXPENDITURES	22,999,779	8,480,073	31,479,852
EXCESS OF REVENUES (UNDER) EXPENDITURES	(777,651)	(1,234,491)	(2,012,142)
OTHER FINANCING SOURCES (USES)			
County special education allocation	158,411	-	158,411
County vocational education allocation	478,004	-	478,004
Bond and loan proceeds	398,700	26,358,000	26,756,700
Bond premium	-	1,337,684	1,337,684
Other transactions	34,619	-	34,619
Transfers from other funds	85,000	745,116	830,116
Bond issuance costs	-	(163,380)	(163,380)
Underwriter discount	-	(132,066)	(132,066)
Transfer to escrow agent	-	(27,174,524)	(27,174,524)
Transfers to other funds	(745,116)	(85,000)	(830,116)
TOTAL OTHER FINANCING SOURCES (USES)	409,618	885,830	1,295,448
NET CHANGE IN FUND BALANCES	(368,033)	(348,661)	(716,694)
Fund balances, beginning of year	3,591,297	736,460	4,327,757
Fund balances, end of year	\$ 3,223,264	\$ 387,799	\$ 3,611,063

See accompanying notes to financial statements.

DeWitt Public Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ (716,694)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 958,658	
Depreciation expense	<u>(1,733,992)</u>	
Excess of depreciation expense over capital outlay		(775,334)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond and loan principal retirement	30,853,602	
Net effect of bond refunding and related items	(785,504)	
Debt proceeds (including SBLF interest)	<u>(26,945,581)</u>	
		3,122,517

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	14,807	
Decrease in accrued compensated absences and termination benefits	<u>108,638</u>	
		<u>123,445</u>

Change in net assets of governmental activities \$ 1,753,934

See accompanying notes to financial statements.

DeWitt Public Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	Agency Fund
ASSETS	
Cash and cash equivalents	<u>\$ 243,472</u>
LIABILITIES	
Due to student groups	<u>\$ 243,472</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of DeWitt Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of DeWitt Public Schools (primary government). The District has no activities that would be classified as component units.

Based upon the application of this criteria, the financial statements of the District contain all the funds controlled by the district

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the primary government are included. Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. Separate columns are shown for major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major fund of the District is:

- a. General Fund - The General Fund is used to account for the general operations of the District pertaining to education and those operations not accounted for in other funds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred in excess of the amount appropriated unless authorized in the budget.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes.
- e. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- f. Formal budgetary integration is employed as a management control device during the year for the General and School Service Funds.
- g. The budget, as presented, has been amended in a legally permissible manner. Supplemental appropriations were made during the year, with the last one approved June 9, 2008.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds. Cash equivalents are recorded at cost, which approximates market value.

7. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories consist of food and paper goods. Reported inventories are equally offset by a fund balance reserve in the fund financial statements which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

9. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of \$1,200 or more, and all personal computers regardless of individual cost, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**9. Capital Assets - continued**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	25 - 50 years
Equipment and furniture	5 - 25 years
Vehicles	8 years
Improvements other than buildings	20 - 50 years
Other capital equipment	8 years

The District has no assets that would be classified as infrastructure assets.

10. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated terminal, sick and vacation leave amounts expected to be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability in the district-wide financial statements.

11. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements in two components: the portion of accrued interest payable that is due within one year is reported as a current liability, the remaining amount that is not due within one year has been reported as a noncurrent liability. The interest payable on the Durant Resolution bonds that were due May 15, 2003, 2004, 2005, 2007, and 2008, is shown as a noncurrent liability due to the State of Michigan deferring these payments until May 15, 2010.

12. Deferred Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as deferred revenue in governmental funds until the period in which eligible expenditures are incurred. Other monies collected in advance, such as summer school, community education programs, and summer school lunch, recreational programs are also deferred. Amounts shown as unearned revenue on the Statement of Net Assets relate to the same state categorical and local grants but are shown here because they are not earned.

13. Short-Term Note Obligations

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2008, and anticipated State Aid is expected to be sufficient to cover this commitment.

14. Long-Term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

The District levies taxes of \$17.901 per \$1,000 of taxable valuation on non-homestead property for general governmental services and \$11.120 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service.

16. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average of pupil membership counts taken in September of 2007 and February of 2007. The average calculation was weighted 75% for the September 2007 count and 25% for the February 2007 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through ten (10) payments made during the year and two (2) payments made in July and August subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

17. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

18. County Special and Vocational Education Revenue Allocation

The District continued to receive revenue based on excess funds remaining from a countywide Special and Vocational Education millage increase approved in a prior year.

The millage was collected by Clinton County Regional Educational Service Agency (CCRESA) and the payments to the District were based on the most recent CCRESA budget at the time of allocation of excess revenues, after all CCRESA costs had been reimbursed. The allocation is paid pro rata based upon the K-12 pupil enrollment, including Special and Vocational Education students enrolled at CCRESA, of the District compared to the total countywide enrollment. The K-12 enrollment for the District is defined as the blended official count for the State foundation grant.

19. Reserved/Designated Fund Balance

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the District has set aside for specific purposes.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

20. Restrictions of Net Assets

Restrictions of net assets shown in the district-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

21. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

22. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds.

23. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks in the State of Michigan in the name of the School District.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan School Code Section 1223 allows that security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a bank, savings and loan association, or credit union.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, the carrying amount of the District's deposits was \$3,480,767 and the bank balance was \$3,577,395 of which \$203,156 was covered by Federal depository insurance. The balance of \$3,374,239 was uninsured and uncollateralized.

Investments

As of June 30, 2008, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents caption on the financial statements are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
MILAF - Cash management funds	\$ 173,996	\$ 173,996	N/A
LaSalle Bank - Public Funds Investment	<u>2,238</u>	<u>2,238</u>	N/A
	<u>\$ 176,234</u>	<u>\$ 176,234</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2008, the District's investments in the uncategorized pooled investments were rated AAA by Standard and Poor's.

Interest rate risk

The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the weighted average maturity in accordance with the District's cash requirements.

Concentration of credit risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Custodial credit risk

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy and pre-qualifying the investment institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

As of June 30, 2008, the cash and cash equivalents referred to above have been reported in the cash and cash equivalents caption in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 3,414,474</u>	<u>\$ 243,472</u>	<u>\$ 3,657,946</u>

The District had \$945 of imprest cash on hand.

Due to significantly higher cash flow at certain periods during the year, the amount the Agency held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

NOTE C: RECEIVABLES

Receivables at June 30, 2008, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Accounts	\$ 74,907	\$ -	\$ 74,907
Due from State	<u>3,736,573</u>	<u>5,430</u>	<u>3,742,003</u>
	<u>\$ 3,811,480</u>	<u>\$ 5,430</u>	<u>\$ 3,816,910</u>

Amounts due from other governmental units consist of various amounts owed to the District for grant and other programs, property taxes, and State Aid payments. The total amount of \$3,816,910 consists of \$3,742,003 related to State Aid, and \$74,907 related to grant and other programs.

NOTE D: CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,128,568	\$ -	\$ -	\$ 2,128,568
Capital assets being depreciated				
Buildings and additions	52,026,988	287,701	-	52,314,689
Improvements other than buildings	1,969,362	55,055	-	2,024,417
Equipment and furniture	5,417,514	615,902	(86,488)	5,946,928

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D: CAPITAL ASSETS - CONTINUED

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Governmental activities - continued				
Capital assets being depreciated -				
Continued				
Buses	\$ 1,376,302	\$ -	\$ -	\$ 1,376,302
Other capital equipment	<u>74,160</u>	<u>-</u>	<u>-</u>	<u>74,160</u>
Subtotal	60,864,326	958,658	(86,488)	61,736,496
Less accumulated depreciation for:				
Buildings and additions	(15,087,112)	(1,028,598)	-	(16,115,710)
Improvements other than buildings	(1,147,456)	(94,273)	-	(1,241,729)
Equipment and furniture	(3,690,315)	(454,566)	86,488	(4,058,393)
Buses	(578,187)	(152,036)	-	(730,223)
Other capital equipment	<u>(62,601)</u>	<u>(4,519)</u>	<u>-</u>	<u>(67,120)</u>
Subtotal	<u>(20,565,671)</u>	<u>(1,733,992)</u>	<u>86,488</u>	<u>(22,213,175)</u>
Net capital assets being depreciated	<u>40,298,655</u>	<u>(775,334)</u>	<u>-0-</u>	<u>39,523,321</u>
Capital assets, net	<u>\$ 42,427,223</u>	<u>\$(775,334)</u>	<u>\$ -0-</u>	<u>\$ 41,651,889</u>

Depreciation expense of \$1,733,992 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the District for the year ended June 30, 2008.

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due Within One Year</u>
1998 Refunding Bonds	\$29,190,000	\$ -	\$27,920,000	\$ 1,270,000	\$ 1,270,000
2002 Refunding Bonds	1,810,000	-	205,000	1,605,000	200,000
2003 Refunding Bonds	4,840,000	-	425,000	4,415,000	415,000
2003 SBLF Bonds	16,171,000	-	2,094,000	14,077,000	2,162,000
2008 Refunding Bonds	-	26,100,000	-	26,100,000	-
1998 Durant Resolution Bonds	135,932	-	-	135,932	12,812
Installment Loans	824,259	398,700	209,602	1,013,357	310,254
Michigan School Bond Loans - Principal and interest	4,081,215	446,881	-	4,528,096	-
Compensated absences and termination benefits	<u>1,266,904</u>	<u>57,722</u>	<u>166,360</u>	<u>1,158,266</u>	<u>92,662</u>
	58,319,310	27,003,303	31,019,962	54,302,651	4,462,728
Less: deferred amounts on refunding	<u>-</u>	<u>990,226</u>	<u>49,511</u>	<u>940,715</u>	<u>49,511</u>
	<u>\$58,319,310</u>	<u>\$27,993,529</u>	<u>\$31,069,473</u>	<u>\$55,243,366</u>	<u>\$ 4,512,239</u>

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portions) are presented below.

General Obligation Bonds

\$30,805,000 Refunding Bonds dated October 15, 1998, due in an annual installment of \$1,270,000 on May 1, 2009, with interest at 4.40 percent, payable semi-annually.	\$ 1,270,000
\$2,895,000 Refunding Bonds dated March 6, 2002, due in annual installments ranging from \$155,000 to \$200,000 through May 1, 2017, with interest ranging from 4.0 to 4.75 percent, payable semi-annually.	1,605,000
\$6,625,000 Refunding Bonds dated September 30, 2003, due in annual installments ranging from \$325,000 to \$415,000 through May 1, 2020, with interest ranging from 3.0 to 4.5 percent, payable semi-annually.	4,415,000
\$20,680,940 School Bond Loan Fund Bonds dated September 30, 2003, due in annual installments ranging from \$2,162,000 to \$2,538,000 through May 1, 2014, with interest at 3.32 percent, payable semi-annually.	14,077,000
\$26,100,000 Refunding Bonds dated February 7, 2008, due in annual installments ranging from \$1,280,000 to \$1,650,000 through May 1, 2026, with interest at 5.00 percent, payable semi-annually.	<u>26,100,000</u>
	<u>\$ 47,467,000</u>

Resolution Bonds

\$230,212 1998 Durant Resolution Bonds dated November 15, 1998, due in annual installments ranging from \$12,812 to \$78,899 through May 15, 2013, with interest at 4.761353 percent, payable annually. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan. The State of Michigan has suspended payment until May 15, 2009.	<u>\$ 135,932</u>
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Installment Loans

\$270,643 Installment Purchase Agreements dated July 16, 1998, due in semi-annual installments ranging from \$17,938 to \$22,442 through May 15, 2013, with interest at 5.68 percent, payable semi-annually.	\$ 98,768
\$63,300 Installment Purchase Agreements dated November 17, 2005, due in annual installments of \$12,660 through February 22, 2010, with interest at 4.18 percent, payable annually.	25,320
\$653,025 Installment Purchase Agreements dated February 27, 2006, due in annual installments of \$130,605 through July 15, 2010, with interest at 3.89 percent, payable annually.	391,815
\$197,507 Installment Purchase Agreements dated August 30, 2006, due in annual installments of \$49,377 through January 21, 2010, with interest at 4.59 percent, payable annually.	98,754
\$398,700 Installment Purchase Agreements dated July 25, 2007, due in annual installments of \$99,675 through July 25, 2011, with interest at 4.35 percent, payable annually.	<u>398,700</u>
	<u>\$ 1,013,357</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E: LONG-TERM DEBT - CONTINUEDMichigan School Bond Loans

The School District has borrowed on various occasions from the Michigan School Bond Loan Fund. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate ranged from 4.25 to 4.82341 percent.

The School District has borrowed \$258,000 in principal and \$188,881 of interest was accrued during this fiscal year. The balances at June 30, 2008, are as follows:

Loan balance	\$ 3,691,720
Interest balance	<u>836,376</u>
	<u>\$ 4,528,096</u>

Advance Refunding - Current

On February 7, 2008, the District defeased a portion of the 1998 Refunding Bonds, which were due and payable May 1, 2010 through May 1, 2026. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The District issued 2008 Refunding Bonds in the amount of \$26,100,000 to fund escrow amounts, and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2008, bonds due and payable May 1, 2010 through May 1, 2026 for the 1998 Refunding Bonds in the amount of \$26,695,000 are considered defeased.

As a result of the advance refunding, the District decreased its total debt service requirements by \$1,509,444, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,133,213.

Advance Refunding - Prior

On September 30, 2003 the District defeased the portion of the 1993 Refunding Bonds, which were due and payable May 1, 2004 through May 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2003 Refunding Bonds in the amount of \$6,625,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the District's financial statements. At June 30, 2008, bonds due and payable May 1, 2009 through May 1, 2020 for 1993 Refunding Bonds in the amount of \$4,440,000 are considered defeased.

On March 6, 2002 the District defeased the portion of the 1992 Refunding Bonds, which were due and payable May 1, 2005 through May 1, 2016. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2002 Refunding Bonds in the amount of \$2,895,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2008, bonds due and payable May 1, 2009 through May 1, 2016 for the 1992 Refunding Bonds in the amount of \$1,620,000 are considered defeased.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E: LONG-TERM DEBT - CONTINUEDAdvance Refunding - Prior - continued

On October 13, 1998 the District defeased the portion of the 1996 School Building and Site Bonds which were due and payable May 1, 2008 through May 1, 2026. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 1998 Refunding Bonds in the amount of \$30,805,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2008, bonds due and payable May 1, 2009 through May 1, 2026 for the 1996 School Building and Site Bonds in the amount of \$27,475,000 are considered defeased.

Compensated Absences and Termination Benefits

In recognition of services to the District, a terminal leave payment will be paid upon retirement to eligible employees according to their respective employment contracts. In addition, accumulated sick and vacation leave payments will be made upon termination to eligible employees according to their respective employment contracts.

In recognition of services to the District, a severance payment is made to eligible employees with at least twenty (20) years of service according to their respective employment contracts.

A summary of the calculated amounts of compensated absences and termination benefits accrued and related payroll taxes as of June 30, 2008 is as follows:

Compensated absences and termination benefits	\$ 1,075,955
Payroll taxes	<u>82,311</u>
	<u>\$ 1,158,266</u>

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the Long-Term Debt is as follows:

Year Ending June 30,	<u>1998 Refunding Bonds</u>		<u>2002 Refunding Bonds</u>		<u>2003 Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,270,000	\$ 55,880	\$ 200,000	\$ 71,156	\$ 415,000	\$ 173,671
2010	-	-	195,000	62,656	400,000	161,222
2011	-	-	190,000	54,856	400,000	148,221
2012	-	-	180,000	47,018	385,000	134,222
2013	-	-	180,000	39,368	375,000	118,821
2014-2018	-	-	660,000	76,688	1,785,000	367,394
2019-2023	-	-	-	-	655,000	43,770
2024-2026	-	-	-	-	-	-
	<u>\$ 1,270,000</u>	<u>\$ 55,880</u>	<u>\$ 1,605,000</u>	<u>\$ 351,742</u>	<u>\$ 4,415,000</u>	<u>\$ 1,147,321</u>

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E: LONG-TERM DEBT - CONTINUED**Annual Requirements for Bonded Debt and Installment Loans - continued**

<u>Year Ending June 30,</u>	<u>2008 Refunding Bonds</u>		<u>2003 SBLF</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 1,305,000	\$ 2,162,000	\$ 467,074
2010	1,280,000	1,305,000	2,232,000	395,340
2011	1,325,000	1,241,000	2,306,000	321,282
2012	1,370,000	1,174,750	2,381,000	244,768
2013	1,415,000	1,106,250	2,458,000	165,768
2014-2018	7,590,000	4,439,250	2,538,000	84,210
2019-2023	8,215,000	2,461,000	-	-
2024-2026	4,905,000	490,000	-	-
	<u>\$26,100,000</u>	<u>\$13,522,250</u>	<u>\$14,077,000</u>	<u>\$ 1,678,442</u>
<u>Year Ending June 30,</u>	<u>Durant Resolution Bonds</u>		<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 12,812	\$ 3,355	\$ 310,254	\$ 44,315
2010	78,899	29,719	311,288	30,396
2011	14,061	2,106	250,344	17,091
2012	14,729	1,436	120,894	6,519
2013	15,431	735	20,577	960
2014	-	-	-	-
	<u>\$ 135,932</u>	<u>\$ 37,351</u>	<u>\$ 1,013,357</u>	<u>\$ 99,281</u>

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of repayments. As a result, it is not included in the schedule above.

The Durant Resolution Bonds referred to above are bonds whose future debt service payments by the District are contingent on an annual State of Michigan appropriation. This is the only revenue source for making the annual debt service payments on these bonds. If the legislature of the State of Michigan fails to appropriate the funds, in any particular year, the District is under no obligation for payment of that year's debt obligation. The State of Michigan has suspended payments on these bonds until May 15, 2009. It appears this suspension will have no financial impact on DeWitt Public Schools in the future.

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2008, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 134,662</u>
Due to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 70,113</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE G: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 745,116</u>
Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 85,000</u>

NOTE H: EMPLOYEE RETIREMENT SYSTEM

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2007, the last year available, may be obtained by contacting the State of Michigan Department of Management and Budget.

The payroll for employees covered by the MPERS for the year ended June 30, 2008 was \$14,059,263 of which \$11,405,900 was for members who have elected the MIP option; the District's total payroll was \$14,416,780.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten (10) or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death and disability benefits and health and medical, dental, vision and hearing insurance coverage. Benefits are established by State statute.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990, are required to contribute based on a graduated rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

For the period of July 1, 2007 to September 30, 2007, the District was required by State statute to contribute 17.74% of covered compensation for all wages to the Plan. For the period of October 1, 2007 to June 30, 2008 the District was required by State statute to contribute 16.72% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2008 and the previous two (2) years is as follows:

<u>June 30,</u>	<u>MIP</u> <u>Contributions</u>	<u>District</u> <u>Contributions</u>	<u>Total</u> <u>Contributions</u>
2008	\$ 449,322	\$ 2,384,093	\$ 2,833,415
2007	432,520	2,397,739	2,830,259
2006	394,621	2,088,493	2,483,114

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

<u>June 30,</u>	<u>MIP</u> <u>Contributions</u>	<u>District</u> <u>Contributions</u>
2008	4.0 %	17.0 %
2007	4.0	17.4
2006	4.0	16.0

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the budgetary comparison schedule, the District's budgeted expenditures have been shown (and were adopted) at the functional classification level. During the year ended June 30, 2008, the District incurred expenditures in the General Fund and the Food Service (Special Revenue) Funds in excess of the amounts appropriated as follows:

	<u>Amounts</u> <u>Appropriated</u>	<u>Amounts</u> <u>Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Basic programs	\$12,822,847	\$12,953,083	\$ 130,236
Added needs	2,023,118	2,069,591	46,473
Supporting services			
Pupil	783,520	802,108	18,588
Instructional staff	688,373	746,717	58,344
General administration	343,988	346,668	2,680
Business	388,275	405,502	17,227
Operation and maintenance	2,287,162	2,377,103	89,941
Transportation	637,203	678,782	41,579
Debt Service			
Interest	65,340	102,655	37,315
Food service	771,294	827,449	56,155

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE J: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, equipment breakdown, builder's risk, employee dishonesty, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insured Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE K: FLEXIBLE BENEFITS PLAN

In February 1996, the District implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan is available to all employees who are eligible to have health coverage under the employer's health insurance plan and have a benefit election form on file. The plan permits them to waive health insurance coverage from the District and receive a cash benefit in lieu of such health insurance. Eligible employees may also pay for additional benefits under the plan with pretax dollars by making elective salary reduction contributions to the plan. The optional benefits include medical reimbursement and dependent care assistance reimbursements.

The plan is administered by DeWitt Public Schools.

NOTE L: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

During a prior year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff an agreed upon amount for past underfunding of special education. DeWitt Public Schools, a nonplaintiff District, was awarded \$460,424 in the settlement. These funds are being paid as follows:

- a. One half is being paid over the next ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds are recorded within the General Fund as categorical State Aid. At the end of the current year all these funds had been expended.
- b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

NOTE M: SHORT-TERM NOTES

On August 16, 2007, the District issued a short-term State School Aid Anticipation Note in the amount of \$1,700,000 for the purpose of funding operating expenditures until the 2008 State Aid payments resumed. This short-term note, which has a net outstanding balance of \$1,700,000 at June 30, 2008, is reported in the fund-level and district-wide financial statements under the caption short-term debt payable. The June 30, 2008 outstanding balance was paid off on August 21, 2008.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE N: SUBSEQUENT EVENT

After the year ended June 30, 2008, the following significant events occurred:

On August 20, 2008, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan totaled \$1,900,000 and future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

REQUIRED SUPPLEMENTARY INFORMATION

DeWitt Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 1,557,500	\$ 1,524,248	\$ 1,546,627	\$ 22,379
State sources	20,395,885	20,522,460	20,520,405	(2,055)
Federal sources	73,500	157,628	155,096	(2,532)
TOTAL REVENUES	22,026,885	22,204,336	22,222,128	17,792
EXPENDITURES				
Current				
Instruction				
Basic programs	13,146,541	12,822,847	12,953,083	(130,236)
Added needs	1,828,026	2,023,118	2,069,591	(46,473)
Total instruction	14,974,567	14,845,965	15,022,674	(176,709)
Supporting services				
Pupil	741,258	783,520	802,108	(18,588)
Instructional staff	755,573	688,373	746,717	(58,344)
General administration	339,918	343,988	346,668	(2,680)
School administration	1,426,995	1,330,783	1,299,774	31,009
Business	470,725	388,275	405,502	(17,227)
Operation and maintenance	2,160,456	2,287,162	2,377,103	(89,941)
Transportation	631,063	637,203	678,782	(41,579)
Central	982,060	1,009,405	1,008,194	1,211
Total supporting services	7,508,048	7,468,709	7,664,848	(196,139)
Debt service				
Principal	203,000	210,660	209,602	1,058
Interest	29,000	65,340	102,655	(37,315)
Total debt service	232,000	276,000	312,257	(36,257)
TOTAL EXPENDITURES	22,714,615	22,590,674	22,999,779	(409,105)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(687,730)	(386,338)	(777,651)	(391,313)

DeWitt Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
County special education allocation	\$ 160,000	\$ 165,000	\$ 158,411	\$ (6,589)
County vocational education allocation	456,000	468,000	478,004	10,004
Loan proceeds	-	398,700	398,700	-0-
Other transactions	449,000	23,000	34,619	11,619
Transfers from other funds	128,000	85,000	85,000	-0-
Payments to other districts	(1,500)	-	-	-0-
Transfers to other funds	(927,000)	(747,377)	(745,116)	2,261
TOTAL OTHER FINANCING SOURCES (USES)	264,500	392,323	409,618	17,295
NET CHANGE IN FUND BALANCE	(423,230)	5,985	(368,033)	(374,018)
Fund balance, beginning of year	3,591,297	3,591,297	3,591,297	-0-
Fund balance, end of year	<u>\$ 3,168,067</u>	<u>\$ 3,597,282</u>	<u>\$ 3,223,264</u>	<u>\$ (374,018)</u>

OTHER SUPPLEMENTARY INFORMATION

DeWitt Public Schools
Nonmajor Governmental Funds
COMBINING BALANCE SHEET

June 30, 2008

		Special Revenue	
	Food Service	Athletics	Community Services
ASSETS			
Cash and cash equivalents	\$ 136,316	\$ -	\$ 176,005
Inventories	13,672	-	-
Due from State	5,430	-	-
Due from other funds	54,792	-	-
TOTAL ASSETS	<u>\$ 210,210</u>	<u>\$ -0-</u>	<u>\$ 176,005</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 25,098	\$ -	\$ 5,803
Due to other funds	-	-	169,779
Deferred revenue	20,941	-	-
TOTAL LIABILITIES	46,039	-0-	175,582
FUND BALANCES			
Reserved for			
Inventories	13,672	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	150,499	-	423
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>164,171</u>	<u>-0-</u>	<u>423</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 210,210</u>	<u>\$ -0-</u>	<u>\$ 176,005</u>

		Debt Service		
1998	2002	2003 Refunding	2003 SBLF Bonds	2008 Refunding
\$ 33,213	\$ 501	\$ 877	\$ 204,518	\$ 606
-	-	-	-	-
-	-	-	-	-
-	-	-	15,321	-
<u>\$ 33,213</u>	<u>\$ 501</u>	<u>\$ 877</u>	<u>\$ 219,839</u>	<u>\$ 606</u>
\$ -	\$ -	\$ -	\$ -	\$ -
33,213	300	877	-	606
-	-	-	-	-
33,213	300	877	-0-	606
-	-	-	-	-
-	201	-	219,839	-
-	-	-	-	-
-	-	-	-	-
-0-	201	-0-	219,839	-0-
<u>\$ 33,213</u>	<u>\$ 501</u>	<u>\$ 877</u>	<u>\$ 219,839</u>	<u>\$ 606</u>

DeWitt Public Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

June 30, 2008

	Capital Projects		Total Nonmajor Governmental Funds
	General Projects	1996 Bond Project	
ASSETS			
Cash and cash equivalents	\$ 2,247	\$ 918	\$ 555,201
Inventories	-	-	13,672
Due from State	-	-	5,430
Due from other funds	-	-	70,113
TOTAL ASSETS	<u>\$ 2,247</u>	<u>\$ 918</u>	<u>\$ 644,416</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 30,901
Due to other funds	-	-	204,775
Deferred revenue	-	-	20,941
TOTAL LIABILITIES	-0-	-0-	256,617
FUND BALANCES			
Reserved for			
Inventories	-	-	13,672
Debt service	-	-	220,040
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	150,922
Capital projects funds	2,247	918	3,165
TOTAL FUND BALANCES	<u>2,247</u>	<u>918</u>	<u>387,799</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,247</u>	<u>\$ 918</u>	<u>\$ 644,416</u>

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DeWitt Public Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

		Special Revenue	
	Food Service	Athletics	Community Services
REVENUES			
Local sources	\$ 612,908	\$ 244,072	\$ 616,761
State sources	30,380	-	-
Federal sources	145,303	-	-
TOTAL REVENUES	788,591	244,072	616,761
EXPENDITURES			
Current			
Food service activities	706,064	-	-
Athletic activities	-	559,841	-
Community services activities	-	-	677,847
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	36,385	-	-
TOTAL EXPENDITURES	742,449	559,841	677,847
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	46,142	(315,769)	(61,086)
OTHER FINANCING SOURCES (USES)			
Bond and loan proceeds	-	-	-
Bond premium	-	-	-
Residual equity transfer	-	-	-
Transfers from other funds	-	290,627	-
Bond issuance costs	-	-	-
Underwriter discount	-	-	-
Transfer to escrow agent	-	-	-
Transfers to other funds	(85,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(85,000)	290,627	-0-
NET CHANGE IN FUND BALANCES	(38,858)	(25,142)	(61,086)
Fund balances, beginning of year	203,029	25,142	61,509
Fund balances, end of year	\$ 164,171	\$ -0-	\$ 423

Debt Service				
1998	2002	2003 Refunding	2003 SBLF Bonds	2008 Refunding
\$ 1,998,838	\$ 284,806	\$ 610,011	\$ 2,394,407	\$ 305,024
-	-	-	-	-
-	-	-	-	-
1,998,838	284,806	610,011	2,394,407	305,024
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,225,000	205,000	425,000	2,094,000	-
774,265	79,605	185,388	536,554	305,630
-	-	-	-	-
1,999,265	284,605	610,388	2,630,554	305,630
(427)	201	(377)	(236,147)	(606)
32,713	-	377	224,304	26,100,606
-	-	-	-	1,337,684
(32,286)	-	-	-	32,286
-	-	-	-	-
-	-	-	-	(163,380)
-	-	-	-	(132,066)
-	-	-	-	(27,174,524)
-	-	-	-	-
427	-0-	377	224,304	606
-0-	201	-0-	(11,843)	-0-
-	-	-	231,682	-
\$ -0-	\$ 201	\$ -0-	\$ 219,839	\$ -0-

DeWitt Public Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended June 30, 2008

	Capital Projects		Total Nonmajor Governmental Funds
	General Projects	1996 Bond Project	
REVENUES			
Local sources	\$ 3,033	\$ 39	\$ 7,069,899
State sources	-	-	30,380
Federal sources	-	-	145,303
 TOTAL REVENUES	 3,033	 39	 7,245,582
EXPENDITURES			
Current			
Food service activities	-	-	706,064
Athletic activities	-	-	559,841
Community services activities	-	-	677,847
Debt service			
Principal	-	-	3,949,000
Interest and fiscal charges	-	-	1,881,442
Capital outlay	669,314	180	705,879
 TOTAL EXPENDITURES	 669,314	 180	 8,480,073
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (666,281)	 (141)	 (1,234,491)
OTHER FINANCING SOURCES (USES)			
Bond and loan proceeds	-	-	26,358,000
Bond premium	-	-	1,337,684
Residual equity transfer	-	-	-0-
Transfers from other funds	454,489	-	745,116
Bond issuance costs	-	-	(163,380)
Underwriter discount	-	-	(132,066)
Transfer to escrow agent	-	-	(27,174,524)
Transfers to other funds	-	-	(85,000)
 TOTAL OTHER FINANCING SOURCES (USES)	 454,489	 -0-	 885,830
 NET CHANGE IN FUND BALANCES	 (211,792)	 (141)	 (348,661)
 Fund balances, beginning of year	 214,039	 1,059	 736,460
 Fund balances, end of year	 <u>\$ 2,247</u>	 <u>\$ 918</u>	 <u>\$ 387,799</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
DeWitt Public Schools
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of DeWitt Public Schools as of and for the year ended June 30, 2008, which collectively comprise DeWitt Public Schools' basic financial statements, and have issued our report thereon dated November 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DeWitt Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DeWitt Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DeWitt Public Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the District rests with the District's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting). This issue was noted and reported in our audit comments last year. The District has provided some training to the applicable employees during the year, but we have noted that the related internal controls are not yet in place.

2007-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP - CONTINUED

It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at DeWitt Public Schools. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the District's annual financial statements and notes to the financial statements in accordance with GAAP. The District relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the District consider obtaining proper training for the appropriate members of the District's administration to assure that they are able to fully understand the requirements of preparing GAAP financial statements. This understanding is essential for the District's administration to be able to accept responsibility for the amounts and disclosures included in the District's financial statements.

2008-1 OVERSIGHT OF THE JOURNAL ENTRY PROCESS

During our consideration of the internal controls over financial reporting, we noted that certain employees (including employees with access to cash or bank accounts) have the ability to post journal entries in the District's accounting system with no review or oversight being provided.

Journal entries are routinely used by the District to allocate costs, record accruals, make bank transfers, or to recognize the effects of certain other transactions. The District is vulnerable to fraudulent transactions being recorded but not detected due to this deficiency.

We recommend that all journal entries made in the District's accounting system be reviewed by an employee who is independent of the process and also possesses the professional competence to identify transactions that may indicate the presence of fraud should they exist.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above as 2008-1 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeWitt Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described below.

2008-2 UNFAVORABLE BUDGET VARIANCES

During our review of the District's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund and the Food Service Fund.

2008-2 UNFAVORABLE BUDGET VARIANCES - CONTINUED

Michigan Public Act 621 of 1978, as amended, provides that the Board shall adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We recommend the District continue to monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

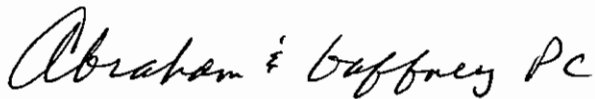
2008-3 DOCUMENTATION OF MEALS PURCHASED

During our testing of credit card transactions, we noted several instances of meals being purchased with no details being noted as to the business purpose or allowability of these meals.

Guidance concerning lawful expenditures is given by the Michigan Department of Treasury in a document called "Determining Lawful Expenditures" that is available on their website. Specifically disallowed are expenditures for meals (with some exceptions) and employee recognition. Meals are presumed to be unallowable unless it is documented why the expenditure is allowable, such as meals for employees working extended hours and food purchased for public meetings.

We recommend that all expenditures that do not have a documented public purpose be discontinued.

This report is intended solely for the information and use of management, the Board of Education of DeWitt Public Schools, the pass-through entities, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 4, 2008